



DELL TELEPHONE COOPERATIVE, INC.

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DALE L. FLACH
GENERAL MANAGER

May 3, 1996

William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

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Dear Mr. Caton:

Enclosed is an original and nine copies of the reply comments of Dell Telephone Cooperative, Inc. in response to the Commission's Notice of Proposed Rulemaking in CC Docket 96-45 (Reference FCC 96-93).

Also enclosed is one copy of our reply comments to be stamped and returned in the enclosed self addressed stamped envelope.

Any questions regarding this filing may be directed to me at (915) 964-2352.

Sincerely,

Dale Flach

Dale Flach
General Manager

cc: International Transcription Service
Room 246
1919 M Street
Washington, DC 20054

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**Before the
Federal Communications Commission
Washington, D.C. 20554**

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| In the Matter of |) | |
| |) | |
| Federal-State Joint Board on |) | CC Docket 96-45 |
| Universal Service |) | |

REPLY COMMENTS OF DELL TELEPHONE COOPERATIVE, INC.

Dell Telephone Cooperative, Inc. (hereafter referred to as "Dell Telephone" or "Company") hereby submits its reply comments to this proceeding. Dell Telephone is a rural cooperative telephone company providing telecommunications services to an isolated west Texas farming community located approximately 90 miles east of El Paso, Texas and five miles south of the New Mexico border. The community served is highly dependent on the agricultural industry and is subject to the factors which affect this industry - natural crop disasters, depressed agricultural prices and the lack of financing for agricultural enterprise. The Company has been responsible for providing telephone services to this rural community since 1956.

Dell Telephone provides essential telecommunications services to approximately 900 access lines in a service territory which spans over 10,500 square miles. This equates to approximately .085 access lines per square mile. Dell Telephone has installed two (2) digital host and four (4) digital remote switching units to provide high quality service. In

addition, the Company has deployed over 3,089 miles of cable and wire facilities to reach its customer base. This equates to approximately 0.29 subscribers per route mile. These statistics clearly reveal the nature of the territory served and the high cost of providing service to this community. This community is also affected by the characteristic low wage levels found throughout the agricultural sector. It is this combination of above average cost of service and below average community wage levels that prompted the FCC to develop supporting mechanisms, such as USF and DEM weighting, to assist these communities in receiving much needed telecommunications services.

The Universal Service Fund was established to provide assistance to companies such as Dell Telephone to ensure that basic telecommunications services were made available to high-cost subscribers at affordable rates. Without the financial support from programs such as the Universal Service Fund, Dell Telephone could not provide its community with telecommunications services to its subscribers at reasonable rates. In 1994, Dell's average annual cost per loop was \$2,919.21 in Texas and \$2,307.95 in New Mexico, while the nationwide average annual cost per loop was \$248.29. Clearly, telephone service could not be provided in Dell Telephone's service territory at rates that are even remotely affordable without the support it receives from programs such as the Universal Service Fund. Dell Telephone believes that modifications to the existing supporting mechanisms may be in the public interest but that it is essential that high-cost companies continue to receive the necessary support to provide an adequate level of telephone service to their customers.

Dell Telephone fully supports the Commission's pro-competitive position in areas where competition makes sense. However, the Commission must recognize that there are certain geographic regions which should not be subjected to competition for local exchange services at this time. More harm will be done than benefits gained if safeguards are not set up to protect certain high-cost companies and their customers. With this in mind, Dell Telephone limits its Reply Comments to the following topics:

I. Target Assistance to Rural and High Cost Areas

One of the principles set forth by the FCC in its NPRM in Docket 80-286 was to ensure that assistance is targeted to those telecommunications service providers, or users, who need assistance to maintain local service. Dell Telephone fully supports this principle and, as advanced by GVNW Inc./Management and OPASTCO in their comments, we urge the Commission to adopt this principle in the current Docket.

Large companies who receive federal assistance for their high-cost exchanges have the ability to use the proceeds for investment in their non-high cost exchanges. This action, where it occurs, clearly defeats the Commission's intent regarding support for high-cost local exchange service providers. It is Dell Telephone's position that, in some instances, larger telephone companies have essentially abandoned the concept of providing high quality services to its rural customers in favor of concentrating on its urban markets. Dell Telephone is a cooperatively-owned business and possesses a strong commitment to community service. We believe that the Commission should narrow its target for high-cost assistance to those companies that truly require it. This, in essence, requires that the

Commission reduce the number of recipients of high-cost support. Dell Telephone believes that one way of reducing the number of high-cost pool recipients can be achieved simply by changing the current company study areas to include all operations within a State jurisdiction. This will likely remove the large telephone companies as recipients and help re-direct needed funds to those companies which are truly in need of support.

II. Core Services in Rural and High Cost Areas

Dell Telephone agrees with the Alaska PUC which states that the FCC should expand its definition of “core services” to include: local-dialing access to the Internet, line quality capable of supporting facsimile transmission and 28.8 Kbps modems, TRS access, toll blocking (including 900 and 976), connectivity with all public toll, local wireline and wireless networks, and access to optional digital services such as Switched 56 and ISDN. The Company agrees with the American Federation of Retired Persons (et al), that the implementation of the 1996 Act will fall short of Congress’ intent if average Americans pay more for their telecommunications service, lose access to crucial services currently provided as part of basic service, or fail to receive access to new functionalities as they become available. It is Dell Telephone’s position that it is imperative to provide rural America with the same services that are offered in more metropolitan areas at reasonably comparable rates. We believe that excluding rural communities from advanced telecommunications and information services would not be in the public interest. End users in rural communities should not be denied the educational and economic-related benefits that such services have to offer simply due to the proximity of their community.

III. Transition of Carrier Common Line Charges

Dell Telephone does not support shifting Carrier Common Line cost recovery away from interexchange carriers and toward end users. We believe that shifting costs in this direction would only lead to decreased subscriber penetration levels. As stated in the OPASTCO study, increases in local rates would encourage local service disconnects. Shifting these costs to end users is nothing more than increasing local service rates when viewed through the eyes of local ratepayers.

IV. Current Universal Service Fund, DEM Weighting and Cost Determination

Dell Telephone agrees with USTA's comments which state that current USF and DEM weighting should be continued for rural telephone companies. However, we do not agree that these funds should be connected with increases in End User Common Line rates and ultimately phased out over time. Docket 80-286 provides compelling evidence that these funding mechanisms have amply provided an effective means for promoting investment in the infrastructure of rural telecommunications service.

In addition, Dell Telephone can in no way support the use of proxy models in determining company costs. As depicted in the comments of the Rural Telephone Coalition, among other parties, there can be no substitute for using actual costs when determining a company's need for support. We can find no compelling reason to abandon the use of actual cost for use of an untested method that can never fully account

for an individual company's cost characteristics or actual embedded cost of providing service.

V. Transition Period

Dell Telephone agrees with GVNW Inc./Management that universal service can be achieved with only minor changes to the current system. However, if the Commission finds that significant revisions to the current cost recovery mechanisms, or the level of individual company funding, are warranted, then an evaluation of the associated impacts should be undertaken. A number of parties to this proceeding have stated that, if significant impacts occur due to changes in the Commission's rules, a reasonable transition period should be implemented so that rural telephone companies have adequate time to develop courses of action to avoid financial hardship. Any loss in interstate funding will require companies to seek relief in their respective intrastate jurisdiction which generally takes time. In all instances, Dell Telephone urges the Commission to take steps that minimize financial hardships to rural companies while at the same time avoid rate shock to end users. Dell Telephone firmly supports transitions, where appropriate, and encourages the Commission to carefully consider impacts resulting from any rule changes on both telecommunications service providers and end users.

CONCLUSION

Dell Telephone supports the Commission's efforts to promote competition in areas where market forces will naturally perpetuate competition. However, the Company

urges the Commission to recognize that more harm can be done than benefits gained if competition is introduced into a market that would not naturally support competition.

In order to support expansion of universal service and promotion of essential telecommunications services to rural areas of the nation, Dell Telephone recommends that the Commission target federal assistance to companies which demonstrate that, without such support, they could not provide affordable service at all.

Dell Telephone believes that the local economies and citizenry of rural communities are becoming increasingly more dependent on high quality telecommunications services and it is therefore imperative that rural customers have access to the same services as urban customers.

Dell Telephone does not support shifting Carrier Common Line costs to end users. We believe that this concept will only place an additional burden on end users, which may adversely impact the promotion of Universal Service. High cost assistance should be funded by all telecommunications service providers.

While the Company believes that Universal Service can be achieved through minor changes to the current system, we believe that any changes which cause a significant impact to rural companies be transitioned over an adequate period of time to avoid financial hardship to companies and/or rate shock to end users.